PROJECT COOPERATION AGREEMENT
&
FINANCING PLAN
DEVELOPMENT

ACCOUNTING FOR COST SHARED PROJECTS

Sharon Wagner

Instructor

Cost Shared Accounting Topics

- ER 37-2-10, Change 78, 30 Sept 93
- Types of Contributed Funds
- Methods of Payment
- Timing of Sponsor Contributions
- Role of Resource Management

ER 37-2-10, Change 78, 30 Sept 93

- Provides Accounting Guidance & Procedures for Non-Federal Contributions
- Federal funds May Not be used to meet the Sponsor's Cost Share unless Expressly Authorized by Statute as Verified in Writing by Granting Agency
- Corps Accepts Funds Only from Public Entities
- Details the Basic Standards for the Available Financing Instruments

Types of Contributed Funds

- Contributed Funds
- Contributed Funds, Other
- Advance Funds
- **Other Non-Federal Funds**
- **Required Contributed Funds**

Other Non-Federal Funds

- Funds Received for Lands, Easements, Rights-of -Way Acquisitions, and Relocations/Disposals, (LERRD) Activities which are the Obligation of Local Sponsor

Required Contributed Funds

- Minimum Cash Contribution Required from a Local Sponsor in connection with a Civil Works Project Authorized under all WRDA's since 1986

Methods of Payment

- Direct **Cash** Payment
- **Electronic** Funds Transfer (EFT)
- **Escrow** Agreement
- Irrevocable **Letter of Credit** (LOC)

Timing of Sponsor Contributions

- Sponsor's Option

  - Provide Total Estimated Non-Federal Funds upon Execution of PCA (Required If Project or Contract is to be Completed in One Federal Fiscal Year)

  - Annually Provide Non-Federal Funds Prior to Start of each Federal Fiscal Year.

When Sponsor Actually Shows the Money

- Timing of Sponsor Contribution is **equal** in Importance to Method of Payment Option
- If Timing of Sponsor Contribution is not Identical to the Requirements of the PCA, the Sponsor needs **interim financing** OR **PCA is delayed**

It’s Not Over Until the U.S. Treasury Says So

- District **cannot** Obligate Funds or Award Contracts until Sponsor’s Funds are Deposited in the U. S. Treasury and the Finance & Accounting Office Receives a Confirmed Deposit Ticket from the Federal Reserve Bank.
- It’s Over when One of the Sponsor’s Method of Payment Options -- Check, Electronic Funds Transfer, Withdrawal from Escrow Account or Letter of Credit is Exercised and Credited for Federal Deposit

Requirements for Escrow Agreement

- Irrevocable Deposit--Govt has Sole & Unrestricted Rights to draw Funds
- Financially Secure Institution
- Member Bank of Federal Reserve or Insured by FDIC
- Interest Accrues to Sponsor
- No Speculative Investment of Funds by Institution
- If Escrow Funds are Invested, must coincide with Corps' pre-determined Withdrawal Dates
- Govt Does Not Pay any Fees/Costs

Easy Approval of Escrow Agreement

- **Model** Escrow Agreement -- Without Deviations
- Delegated to Division Counsels

  Chief Counsel memo of 9 Sept 92
- Authorized Re-Delegation to District Counsels

  Chief Counsel memo of 8 Oct 97

Not So Easy Approval of Escrow Agreement

- **Deviations** in Escrow Agreements
  - Requires CECC-J Approval
  - Follow Standard Deviation Procedures
  - Fully Explain Rationale for Deviation

Purpose of Escrow Agreement Review

- Federal -- Review for Impact on Government's Rights, Obligations, and Financial Security
- Non-Federal Sponsor -- Demonstrate Escrow Agreement Satisfies its Cost Sharing Obligations

Comments on Irrevocable Letter of Credit

- Used as Sponsor Interim Financing
- Same Effect as Promissory Note from Sponsor *but* Risk Assumed by Financial Institution-- not the Corps
- Actually is Loan Agreement with a Financial Institution--Amount withdrawn is a Debt to the Sponsor
- Sponsor Repays Principal + Interest

Requirements for Irrevocable Letter of Credit

- **Requires** CECC-J Approval
- *Similar Requirements to that of an Escrow Agreement*
- Sample Letter of Credit (Not Model)
- Stress **Irrevocable** Nature--Govt, as Beneficiary, has Exclusive Right to Demand Payment up to $ Amount of the LOC
- Govt Does Not Pay any Fees/Costs

Role of Resource Management

- *Accounting For Completed Projects*
  - Ensure Project Costs are Distributed according to PCA
  - Final Accounting Report to Sponsor
  - Transfer Project to Plant-in-Service OR Transfer Project to Sponsor
  - Avoid Future Audit Problems

Conclusion

- Lesson to be Learned
  - The Method of Payment Option chosen by the Sponsor for the Project needs to be consistent with the PCA, Sponsor's Financing Plan, and Allocation of Funds Table in terms of sufficiency ($) and timing (available) of funds